

HOUSE BILL REPORT

HB 2013

As Reported by House Committee On: Financial Institutions & Insurance

Title: An act relating to self-service storage specialty producers.

Brief Description: Allowing the owner of a self-service storage facility to offer self-service storage insurance.

Sponsors: Representatives Green, Roach, Kirby, Warnick and Morrell.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/12/09, 2/17/09 [DPS].

Brief Summary of Substitute Bill

- Creates a category of specialty producer insurance license for self-service storage facilities and their employees.
- Establishes licensing qualifications.
- Establishes disclosure requirements.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Roach and Simpson.

Minority Report: Without recommendation. Signed by 1 member: Representative Santos.

Staff: Jon Hedegard (786-7127)

Background:

The Insurance Commissioner (Commissioner) oversees insurers and insurance products in this state. A person must be licensed to sell insurance in this state.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Self-service storage facilities are regulated under the Washington Self-Storage Facility Act (Act), chapter 19.150 RCW. Facilities are not licensed or registered with any state agency. The Act requires that all rental and lease agreements are in writing. Owners of a self-storage facility must comply with certain procedures when addressing past due rent, terminating the rental or lease agreement, placing liens on personal property stored in the unit, and disposing of unclaimed personal property. There are no discrete penalties for violations of the Act.

Summary of Substitute Bill:

An owner that intends to offer insurance covering the loss of or damage to personal property stored at a facility (Storage Insurance) must be licensed as a Self-service Storage Specialty Producer (Storage Producer) under Chapter 48.17 RCW. A license is not required to merely display Storage Insurance materials. Provisions are established regarding the licensing process. An insurer must provide a certificate indicating that the insurer has reviewed the background of an applicant for a license and will appoint that applicant to offer or sell insurance on the insurer's behalf. The training and education program is deemed approved if the Commissioner takes no action within 30 days of the receipt of the program.

An employee may sell Storage Insurance for a storage producer only if the employee:

- is over 18 years of age;
- is trustworthy and has not committed specific illegal or wrongful acts; and
- has completed a training and education program.

Licensing fees are established at:

- \$130 for every two years for a Storage Producer with fewer than 50 employees;
- \$375 every two years for a Storage Producer with 50 or more employees; and
- \$35 per location.

A Storage Producer may not issue Storage Insurance unless:

- disclosure materials are made available to prospective occupants at every location where occupants are enrolled in Storage Insurance programs;
- all of the employees of the Storage Producer who are involved in the Storage Insurance transaction have completed a training and education program; and
- there is a manager responsible for the actions of employees at each location where a Storage Producer offers self-storage insurance.

The disclosure materials must:

- summarize the material terms of insurance coverage, including the contact information for the insurer, price, benefits, exclusions, and conditions;
- state that the Storage Insurance policies may provide a duplication of coverage already provided to the purchaser by an existing source of property insurance coverage;
- state that if insurance is required to rent storage, the requirement is satisfied by the occupant purchasing the Storage Insurance or by presenting evidence of other applicable insurance coverage;

- describe the process for filing a claim;
- state in writing all costs related to the Storage Insurance; and
- include other information required by rule by the Commissioner.

The conduct of an employee and authorized representative is the same as conduct of the Storage Producer for the purposes of enforcement.

The Commissioner may adopt rules to implement this act.

Substitute Bill Compared to Original Bill:

The original bill provided explicit authority for the Insurance Commissioner to adopt rules in specific areas. That grant of authority is removed and standards are established in many of those areas. A license is not required to merely display self-storage materials. A Storage Producer must be licensed under chapter 48.17 RCW. Provisions are established regarding the licensing process. An insurer must certify that the insurer has reviewed an applicant's background and will appoint that applicant to offer or sell insurance on the insurer's behalf. All of the employees of a licensee who are involved in a self-storage insurance must have completed a training and education program approved by the Commissioner. There must be a manager responsible for the actions of employees at each location where a Storage Producer offers self-storage insurance. An employee may sell insurance for a storage producer only if the employee meets certain conditions. Licensing fees are established. The Commissioner no longer has the authority to review and approve of disclosure materials prior to use by a Storage Producer. A provision granting the Commission authority to determine the applicability of other sections of the Insurance Code is removed. The Commissioner may adopt rules.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on July 1, 2010.

Staff Summary of Public Testimony:

(In support) There are many self-storage facilities in the 28th District. This is due, in part, to a large military presence. Many people use a self-storage facility when they move. Other people use them for more space. This is an industry that is actively looking to improve regulation and remove bad actors. This bill allows a conversation between the facility and the customer about insurance. Most facilities are small businesses. There is a need for this bill. There is a lack of insurance and a lack of customer knowledge. Many people don't know if this is covered in the homeowners or renters insurance. Currently only two insurers offer this product. It is usually a small premium for a short period of coverage. Many people think that the building owner is insuring their contents. This is not the case. The building owner does not even know what the customer is storing. People may have coverage under existing insurance but they need to check their policy. There are similar laws in California

and Arizona. The Insurance Commissioner is working with the industry on their concept. The Insurance Commissioner is comfortable with the proposed amendment.

(Opposed) None.

Persons Testifying: Representative Green, prime sponsor; Terry Kohl and Patrick Reilly, Washington Self Storage Association; Don Arsenault, Arsenault Realty Advisors, LCC; and Drew Bouton, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.